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THE PEACE PROCESS AFTER THE GULF WAR: THE IMPLICATIONS FOR JORDAN

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EXECUTIVE SUMMARY

Title: The Peace Process after The Gulf War: The Implications For Jordan.

Author: Major Ahmad Mesleh Al-Zoubi (Jordanian Armed Forces).

Thesis: This paper argued that the Jordanian-Israeli Peace Treaty of 1994 has strengthened Jordan's domestic, regional, and global image. It also restores Jordan's rights to its territories and water, and promises prosperity, and a better quality of life for all through regional cooperation, expanded trade opportunities, and by elimination of Jordan's national debt.

Discussion

The Middle East has undergone dramatic changes since the Madrid peace process was successfully concluded in 1991. Despite many challenges facing Jordan, significant developments have been achieved including the Jordanian-Israeli Treaty of Peace. The break down of many psychological barriers that have prevented Jordanians and Israelis from living in peace have been a direct result of the Peace Treaty. The Jordan-Israeli Peace Treaty's security arrangements did not affect Jordan's regional commitments because the security arrangements do not contradict Jordan's commitments toward its Arab neighbors.

A major impetus for signing the Peace Treaty with Israel was Jordan's economic crisis, which was brought on by the Gulf War. It is hoped that Peace Treaty with Israel will usher in a new age of prosperity, with new markets opening up and international investments flooding in. Yet, serious challenges remain ahead. Full normalization of political and economic relationships between Israel and all other Arab countries depends on further progress in the peace process. Peace was supposed to invigorate the Jordanian economy through enhanced exports to Israel, heightened tourism, increased investment, reduced military spending, and technology transfer. Domestic reform, due to the removal of adversarial threats at the border, was to focus on creating a receptive environment for Jordan to become a successful regional and global partner.

Conclusions

The security arrangements concluded in this Peace Treaty enhance the security of the Arab world. They guarantee a secure future for Jordan, while helping to consolidate regional stability. Jordan resolved to firmly uphold this peace agreement, as supported by an international consensus, and to further advance its spirit of cooperation. Any set backs will not, and should not, deter both sides from moving forward. With the agreement to implement Wye River and the initiative of final status talks, there is new impetus for peace and economic cooperation in the disparate region.

Although the peace dividend has not been fully realized, it can be achieved if each country in the region and the international community work in harmony to yield synergistic benefits for all. These benefits must include Jordan. Jordan now realizes that the dividends of peace cannot be attained automatically. However, that shouldn't prevent all the regional powers from exerting the maximum efforts possible to go forward on peace as the only strategic and vital option for a prosperous and brighter future. To succeed at the regional level, the peace process will have to serve the national interests of all Middle East countries. The Peace Treaty sponsoring countries should make it possible for Jordanians to achieve tangible peace dividends by helping Jordan support its people. Although the expected economic boom in the region has yet to fully materialize, the peace treaty is still important for Jordan because it provides security to the country and the region as a whole.

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ABBREVIATIONS

AFTA	Arab Free Trade Area
CSCE	Conference on Security and Co-operation in Europe
CSCME	Conference on Security and Co-operation in the Middle East
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IMF	International Monetary Fund
JAF	The Jordanian Armed Forces
JD	Jordanian Dinar
MBT	Main Battle Tank
MCM	Million Cubic Meter
MSSA	Multi-Sensor Surveillance Aircraft
PLO	Palestine Liberation Organization
PNA	Palestinian National Authority
QIZ	Qualified Industrial Zones
UNSC	United Nation Security Council
UNICEF	United Nation Children's Fund
URL	Uniform Resource Locator
WTO	World Trade Organization

CHAPTER ONE

THE JORDANIAN SITUATION AFTER THE 1967WAR

BACKGROUND

This paper will argue that the Jordanian-Israeli Peace Treaty of 1994 has strengthened Jordan's domestic, regional, and global image. It also restores Jordan's rights to its territories and water, and promises prosperity, and a better quality of life for all through regional cooperation, expanded trade opportunities, and by elimination of Jordan's national debt. Although the expected economic boom in the region has yet to fully materialize, the Peace Treaty is still important for Jordan because it provides security to the country and the region as a whole.

Since the end of the Gulf War, the Middle East has witnessed a series of important changes that are expected to affect the political and social future of its countries, especially Jordan. These changes are manifested by strategic considerations that are unique to the Arab-Israeli conflict in general, and to Jordan's National Security interest in particular.

Establishing security for every country in the Middle East region is one of the basic elements of the Peace Process. The success of the Peace Process is measured by how much confidence the countries will have to build in terms of non-aggression and mutual trust. In the past, lack of confidence formed tension and enmity that ultimately led to a conflict that lasted for five decades. Once confidence is present in every country in the region, it will form a solid foundation for the future and will be a basis for the stability and development of the region's societies. This is particularly true in the relationship between Israel and its Arab neighbors. It is here that suspicions have the greatest potential to lead into military conflicts.

In order to understand the full implications and underpinnings of the Peace Process in Jordan, it is crucial to have a broad understanding of the history of the Arab-Israeli conflict. The origin of that conflict goes back to the beginning of the twentieth century. The Zionist movement, founded by Theodore Herzl in the late 1890s, was able to elicit a promise in 1916 from the British Foreign minister Arthur Balfour to commit “His Majesty’s Government” to the “establishment in Palestine of a national home for the Jewish people.”¹ In a memorandum to cabinet colleagues in 1919, Balfour admitted that the Palestinians had been deceived. He also attributed the deception to the “Big Four” powers (the U.S., France, Britain, and Italy) rather than to Britain alone.² Similarly, Ben-Gurion³ stated in 1938 “When we say that the Arabs are the aggressors and we defend ourselves, that is only half the truth. As regards to our security and life we defend ourselves.... But the fighting is only one aspect of the conflict, which is in its essence a political one. And politically we are the aggressors and they defend themselves.”⁴ Balfour’s declaration encouraged thousands of the Jewish people to immigrate to Palestine, which has led to the establishment of the Israel state in 1948.

THE 1967 WAR

In early 1963, Israel announced its intention to divert part of the Jordan River waters to irrigate the Naqab Desert. Such an action would affect Jordan, which relies on the same river for water. In response, at a special summit in Cairo in 1964, Arab

1 Mohamed, Heikal. 1996a. *Secret Channels*. London: Harper Collins Publishers. Page 28-29. Cited hereafter as Heikal”.

2 Heikal, Page 30(Arthur Balfour stated: “so far as Palestine is concerned, the powers have made no statement of fact that is not admittedly wrong, and no declaration of policy which, at least in the letter, they have not always intended to violate)”

3 David Ben-Gurion the first Prime Minister of the newly created state of Israel in 1948.

leaders decided, to reduce the flow of water into Lake Tiberias by diverting some tributaries in Lebanon and Syria. Participants also urged that military preparations be made in the event Israel reacted militarily to these moves. The result was a unified Arab force called the United Arab Command, which was composed of Egyptian, Syrian, Jordanian and Lebanese elements and was headed by Egyptian Lieutenant-General Ali Amer. Another outcome of the Summit in Cairo was the establishment of the Palestine Liberation Organization (PLO) as a political gesture to the Palestinian people. Arab leaders originally envisioned the PLO as an umbrella organization representing several competing Palestinian factions. It was not until the tragedy of the 1967 Arab-Israeli War that the PLO was converted into a full-fledged revolutionary movement bent on the destruction of Israel by force. Because the Palestinian base of operation was in Jordan, His Late Majesty King Hussein insisted that the PLO should coordinate its activities with Jordan. Jordan wanted to maintain control over the organization for national security reasons, and also to ensure that the PLO would not drag Jordan into a war with Israel for which the latter was unprepared.

The mid-1960s also saw the rise of independent Palestinian guerrilla groups (known in Arabic as the fedayeen), the most notable of which was Yasser Arafat's Fatah movement. Egyptian and Syrian governments encouraged guerrilla raids into Israel. These raids, however, were not staged from Syria or Egypt, but from Lebanon and Jordan respectively. The Israeli reprisals to these military raids were predictably harsh and were directed against Jordan. Responding to a Fedayeen raid, on November 13, 1966, Israel launched a major attack on the West Bank border village of Samu, rounding up villagers destroying their houses. Numerous casualties were found after

4 Norman, Finkelstein G.1995. *Image and Reality of the Israel-Palestine Conflict*, New York: Verso. Page 108.

the attack. Radio broadcasts from Egypt, Syria, and Iraq reported on the Samu attack; this prompted rioting in major Jordanian cities.

By the spring of 1967, the situation between Israel and the Arab countries had become extremely tense. On May 16, the Egyptian president asked the United Nations to withdraw its forces from the Sinai (which had been stationed there since after the Suez War in 1956). To the surprise of many, two days later his request was honored. Moreover, on May 22 the Egyptian president blockaded the Straits of Tiran,⁵ depriving Israel shipping lane access from there. Sensing that war was now likely, His Late Majesty King Hussein aligned Jordan with Egypt by signing an Egyptian-Jordanian Mutual Defense Treaty on May 30, 1967. The treaty required Jordan's forces to be placed under the command of Egyptian General, Abdul Moneim Riad.

The increasing tension between the Arab states and Israel allowed the latter to launch a surprise attack on June 5, 1967. This prompt attack virtually destroyed the entire Egyptian air force. Jordanian forces, nonetheless, launched an offensive into Israel without air support. Israel had complete control of the skies, raining deadly napalm bombs on the Arab forces. After a spirited defense of Arab East Jerusalem, the outnumbered and outgunned Jordanian army was forced to retreat to the east bank of the Jordan River. When the final UN cease-fire was imposed on June 11, Israel stood in possession of a wide swath of Arab land. That included the Egyptian Sinai, Syria's Golan Heights, and most significantly, the Gaza Strip and West Bank, including Arab East Jerusalem. Israeli victories complicated Middle East Peace matters, and became the cause of tension for many years to come.

Of the states participating in the conflict, Jordan, by far, paid the heaviest price. As a result of the war, more than 300,000 Palestinian Arabs became refugees and fled into Jordan. For many of them, this was their second uprooting in less than two decades, having been driven from their original Palestinian homes in 1948. Despite the economic devastation wrought by the war, Jordan continued to shoulder its previous administrative and financial responsibilities for the West Bank. For example, it continued to pay the salaries and pensions of West Bank civil servants, while administering religious endowments or *waqf* and educational affairs. This became a heavy burden to Jordan's economy.

In early 1970 Palestinian guerrilla groups led to bloody clashes between the Jordanian military and PLO elements when Palestinian guerrillas, supported by Syria, fought Jordanian troops in Amman and other areas of northern Jordan. After heavy casualties, a cease-fire agreement was reached, requiring a number of concessions from His Late Majesty King Hussein. The Palestinian guerrillas, nevertheless, continued their aggression. King Hussein ordered the Prime Minister Wasfi Al Tal to take military action against the guerrillas, and the movement was completely crushed in 1971. Arab reaction against Jordan was strong. On November 28, while attending a meeting of the Arab League in Cairo, guerrilla members of the Black September organization responded by assassinating Prime Minister Wasfi Al Tal.

MILITARY SITUATION AFTER THE WAR 1967

At the onset of the June 1967 War, Jordan had four infantry brigades plus one armored brigade in the Jerusalem-Ram Allah-Hebron sector, two infantry brigades reinforced by armor and artillery in the Nabulus area, and one infantry brigade and

5 Vick Vance and Pierre Lauer, Hussein of Jordan, "my war with Israel", William Morrow and Company, INC. New York, 1969, page 34. Cited hereafter as "Vick and Lauer".

one armored brigade in the Jordan River valley as reserve for the Nabulus forces. After fighting from June 5 to June 7, the overwhelmed Jordanians were forced to abandon Jerusalem and the entire West Bank, withdrawing across the Jordan River to prevent the total capture or annihilation of their army.

The Jordanians fought tenaciously without air cover, and were subsequently attrited by Israeli air power. Those reserve-armored units from the Jordan River valley that were able to reach the battle zone were in too poor a condition to support the infantry. In the Old City of Jerusalem, Israeli air presence could not be brought to bear; it was here that Jordan's defending troops caused almost one-half of the total Israeli casualties in the war. Confusion and discord resulted from the Jordanian army's placement under an Egyptian command, and from false reports, claiming Egyptian successes in air and land fighting was contributed to additional confusion on the Jordanian front. Expected reinforcements from Syria, Iraq, and Saudi Arabia failed to reach the battle area in time, leaving the Jordanian army to fight almost entirely alone. Jordan suffered 7,000 casualties, the destruction of its entire air force and 80% of its armor.

This prompted Israel to perceive Jordan to be weak and they subsequently invaded Jordan on March 21, 1968. Israeli forces carried out a major attack on the Jordan Valley village of Karamah, where they destroyed the village. During the ensuing battle of Karamah, the Jordanian army launched a heavy artillery barrage against Israeli tanks; this raid was repelled with heavy losses to the invading Israeli troops. His Late Majesty King Hussein took the lead in the defense of Jordanian land and was helped by the Palestinian fedayeen groups. After *Al-Karamah* Battle of 1968, King Hussein saluted the Jordanian army and the fedayeen of Fatah, fedayeen group

also took part in the battle and accomplished a great effort; His Late Majesty King Hussein declared “we have reached the point where we are all fedayeen.”⁶

THE HOLLY SHRINES IN THE WEST BANK

The Hashemite Royal Family is descendent of the Prophet Mohammed. They have ruled Hijjaz and are considered the guardians of its holy places for generations. It is no coincidence that they have established a connection with the holy places of Jerusalem. For them, Jerusalem is a symbol of their exalted descent, and status and, as such, an important source of legitimacy to their family.⁷

His Late Majesty King Hussein retained Jordan's status as the guardian of the Islamic shrines in Arab East Jerusalem when he renounced Jordan's legal and administrative relations with the Israeli occupied territories in July 1988. He subsequently explained that he retained Jordan's religious role in the Arab East Jerusalem in order to avert a vacuum. Otherwise, it may have allowed the Israelis to take control of the Islamic shrines there; this is because the Palestinians were not capable of assuming the religious role of defending the shrines. Jordan achieved this goal by ensuring that it would continue its role of safeguarding and caring for the Holy Places in the city of Jerusalem until the completion of the final status negotiations⁸. Jordan has stated that they would hand over the trust for the Holy Sites when the Palestinians successfully achieved sovereignty over Arab East Jerusalem. This responsibility has been in Jordan's hands continuously since 1948, when Jordanian soldiers defended Arab East Jerusalem and the Old City. In the past four

6. Vick and Lauer, page 154. “fedayeen” is the Arabic word for commando and means “fighter for liberty”.

7. The Middle East and the Peace Process, the impact of the Oslo accords, Edited by Robert O. Freedman, University Press of Florida, 1998. (Adam Grafinkle, The Transformation of Jordan) page 113.

8. The Jordan-Israeli Peace Treaty, Article 9-2 “ In this regard, in accordance with the Washington Declaration, Israel respects the present special role of the Hashemite Kingdom of Jordan in Muslim Holy shrines in

decades, Jordan's commitment has amounted to over \$500 million. Half of al-Awqaf's annual budget has since been dedicated to Jerusalem and the West Bank. Despite this burden, Jordan has declared that it will continue to bear the cost of protecting the shrines. Despite taking the burdens of fulfilling all these commitments to the Holy Shrines, His Late Majesty King Hussein compelled Israel to deal with no one else but the PLO concerning the future of the Occupied Territories and Arab East Jerusalem.

Relations between Jordan and Iraq

Iraq plays an extremely important role in the Jordanian economy, this reality deserves an explanation. It goes without saying that oil from Iraq is very important for Jordan, especially after the Gulf War. It is basically economic ties that fasten strongly the two countries; though once in recent history, they were also extremely close politically as well as militarily, and this factor is now strongly reflected in today's post-Gulf War relationship. When Jordan regarded its western neighbor Israel, as an enemy, it counted on Iraq as its principal strategic ally. But after the Camp David Accords of 1978⁹, which Jordan opposed due to it being so heavily dependent on Arab aid, Iraq became Jordan's primary supporter. Iraq gave essential aid to Jordan made the country's dependence on Iraq as a trade- partner unavoidable. Iraq's assistance brought the two countries much closer.

Jerusalem. When negotiations on the permanent status will take place, Israel will give high priority to the Jordanian historic role in these shrines.”

9. Norman, Finkelstein G.1995. Image and Reality of the Israel-Palestine Conflict, New York: Verso, page171. Moshe Dayan told President Jimmy Carter, before Anwar Sadat's visit to Israel that “the future is with Egypt. If you take one wheel off a car, it won't drive....” Mirroring this view, Carter indicated in his memoirs “it was fairly obvious that the key to any future military threats against Israel was the Egyptians...” Yitzhak Rabin indicated “Syria alone was no problem whatsoever for Israel,” and that “terrorism is not a threat to Israel's existence... I wish that the so called PLO would be the only problem.” “Egypt,” he stressed “is the key country”.

Although the Jordanian-Iraqi relationship was politically cool from the collapse of "The Arab Federation" until the early 1970s, the two nations have cooperated for economic and security reasons in the fight against Israel, and these cooperative ties were increasingly reinforced during the period of Jordan's economic isolation in response to political changes in the Middle East.

During the mid-1970s, Iraq sought to expand its trade routes due to its worsening relations with Syria and uprisings by the Kurds inhabiting its northern territories. Iraq turned its attention to Jordan's port of Aqaba, began to give assistance to help Jordan expand the port's facilities, and generally improved Jordan's domestic transportation infrastructure for better access. Political ties between Jordan and Iraq began to improve in 1978, by which time Iraq's assistance had laid the foundations for strong mutual trade ties. For example, Iraq's assistance to Jordan included loans to build electric power stations, roads, and other infrastructure projects as well as grants and loans to develop Jordan's potash and fertilizer industries. The turning point for Jordan during this period came at the Arab summit of November 1978, when Iraq publically declared its support for Jordan.

In reaction to the September, 1978 Camp David Accords, the Arab Summit held a meeting in Baghdad in November to call for the creation of a \$9 billion fund to assist the front-line countries against Israel, this included Jordan. On this occasion, Iraq promised to contribute \$520 million to the fund each year for 10 years, but most noteworthy was the offer that Iraq was reported to have made in honoring the commitments left unpaid by other parties, namely the Gulf states. They had promised assistance to front-line countries at the Rabat Conference in 1974 but then reneged. In recognition of Jordan's opposition to the Camp David Accords, Iraq gave Jordan a \$30 million grant.

This presented an occasion for more political exchange when Iraqi President Saddam Hussein visited Jordan in 1979. This was the first official visit to Jordan by an Iraqi head of state since the Iraqi revolution of 1958. By 1980, Jordan and Iraq had signed a military cooperation agreement. From this time forward, their bilateral trade volume boomed and joint development projects were advanced by leaps and bounds. Iraq began to give Jordan assistance in the form of loans and grants on a regular basis. However, Iraq's substantial support to Jordan was directed to improve its domestic road network and Aqaba the through port of the Jordanian Red Sea, to facilitate the shipping of Iraqi imports and exports. War then broke out between Iraq and Iran. Iraq's own ports on the Gulf were unsuitable for loading and unloading due to their close proximity to Iran, but Iraq was able to ship via Aqaba. This greatly added importance to the port's facilities and the road network linking Aqaba to Iraq.

As previously mentioned, not only did Iraq's assistance to Jordan from 1970s directly help Jordan make ends meet under strained financial circumstances, it also helped to modernize Jordan's domestic infrastructure so that Jordan could better serve as a crucial link in Iraq's transport and internal trade. At the same time, Iraq provided Jordan with a huge market for its goods. According to Jordanian statistics, Jordan's exports to Iraq were increased from 1.6 MJD in 1974 to 794 MJD IN 1994.¹⁰

While Jordan's imports from Iraq increased from 800,000 JD in 1973 to 212 MJD by 1989, Jordan's recent trade volume with Iraq exceeds its volume of trade with other surrounding countries. Due to the U.N. imposed trade sanctions against Iraq, the infrastructure has served as the main routes for the limited amounts the Jordanian oil imports from Iraq, and foodstuffs and medical supplies allowed under the embargo

10. Annex A shows the Jordanian export to Iraq in 1974,1979,1982,1989,and 1994.

from Jordan to Iraq¹¹. Once Iraq returns to international society, the trade routes linking the two countries will provide a strong foundation for a recovery of massive trade volumes and a general swing up interaction between Iraq and Jordan.

Jordan's Position in the Gulf Crisis

On August 2, 1990, Iraqi forces invaded and occupied Kuwait. Jordan's political position during the Gulf Crisis has been thoroughly misinterpreted. Jordan stood in full agreement with the international community that the Iraqi invasion and annexation of Kuwait was a breach of international law and could not be allowed to stand. However, from the Jordanian viewpoint, Arab interests dictated that the matter be settled on a regional basis. Jordan attempted to resolve the matter through the good will of the Arab League, and His Late Majesty King Hussein personally issued vigorous appeals to Saddam Hussein to yield to the demands of the international community. Unfortunately, the inflexible positions of both Iraq and the U.N. coalition made a negotiated settlement impossible.

In March 1991 after the Gulf War, the U.S. Congress voted to cut off assistance worth \$57 million to Jordan in order to express U.S. displeasure over Jordan's pro-Iraqi stance. When Iraq withdrew from Kuwait, Jordan immediately made moves toward regional reconciliation. It responded warmly to an invitation to participate in a Middle East peace conference led by the United States. The conference convened in Madrid in October 1991, Israel had not yet recognized the PLO, Jordan and Palestine formed a joint delegation, which had represented the interests of Palestinians living in the occupied territories.

ECONOMIC DECLINE FROM 1967 WAR TO THE PEACE TREATY OF 1994

11. The Economist Intelligence Unit. Country Profile. Jordan, 2001. London: United Kingdom. The Economist Intelligence Unit. Page 19.

After the Israeli occupation of the West Bank in the 1967 War, Jordan's economy lost its momentum. However, the oil boom triggered by the 1973 War prompted an upturn, whereupon phosphate and potash production picked up and Jordan's industry grew, mainly centering on regional trade. Due to Jordan's long dependence on outside assistance, the middle class, the technically skilled young, and the entrepreneurs of Jordan have continued to emigrate to find jobs. Jordan's chronic brain drain has slowed the growth of its local industry and has hindered its economic development.

The Jordanian Agriculture Sector used to contribute substantially to the economy. On the eve of the June 1967 War, agriculture contributed to 17 % of the GDP (Gross Domestic Product). By the mid-1980s, agriculture's share of GDP was only about 6 %. With the Israeli occupation of the West Bank, Jordan lost prime farmland. Previously, about 70% of Jordan's agricultural land was located in the West Bank. This area produced the majority of Jordan's fruits and vegetables. The West Bank accounted for an estimated 20 to 25 % of the Jordan's grain, 70 % of the fruit, and 40 % of the vegetables before the 1967 War.

As a result, only about 6% of Jordan's current land is cultivatable. Development of the agriculture sector will be constrained until severe water shortages are overcome. The proportion of the labor force engaged in agriculture declined from 37 % in 1965 to 7 % in 1990. The impact has been devastating, seriously affecting the Jordanian economy. Production is not sufficient to meet the needs of the country.

The Jordanian share of the Jordan River's waters was affected severely by the Israeli occupation of the West Bank in 1976, Israel has maintained total and unchallenged control over the precious water resources of the West Bank. Furthermore, as an occupying force, Israel utilizes more than 85% of the water of the

Jordan River. In short, after 1967, Jordan lost most of its water supply while Israeli gained about 900 MCM/Y of water from the Jordan River. The water issue today lies at the center of a volatile controversy. If not resolved fairly and equitably, it will almost certainly jeopardize any serious effort of normal relations between Jordan and Israel.

The Gulf crisis, which began in August 1990, had grave consequences on the Jordanian economy. On the eve of the Gulf crisis, Jordan already had foreign debts of \$8 billion. The Gulf crisis triggered a series of calamities for the Jordanian economy. It drastically diminished remittances from Jordanian workers in the Gulf, and precipitated the return of many workers to Jordan. When U.N. sanctions were imposed, it shut off the Iraqi market¹², caused the cost of imported oil to soar, cut off trade destined for Iraq and Kuwait, closed the port of Aqaba, and drastically increased the cost of insurance for shipments to surrounding regions. Since the country's foundation, Jordan had hosted hundreds of thousands of Palestinian refugees, as in 1948 and 1967, the Gulf crisis precipitated a third major wave of immigration.

For Jordan's domestic manufacturing industry, the loss of the Iraqi market was a severe blow. Shipping, insurance, and the produce market were also hit severely. Although Jordan was officially neutral in the Gulf crisis, it had taken a sympathetic stance toward Iraq. This prompted Kuwait as well as Saudi Arabia to cut off their assistance to Jordan of even oil supplies. In short, it caused major disruptions in the Jordanian economy.

12. Riad Al-Kouri, "Trade policies in Jordan, Lebanon, and Saudi Arabia," Trade policies Development in the Middle East and North Africa, Mediterranean Development forum (The World Bank: Washington D.C.), 2000.

CHAPTER TWO

THE ECONOMICAL AND SOCIAL IMPLICATIONS OF THE PEACE TREATY

The Jordan-Israel Peace Treaty¹³ was signed on October 26, 1994. It was based on a solid foundation of justice and international law principles, which King Hussein had always endeavored to achieve. The precepts, which are inscribed in the Preamble, are as follows:

1. The realization of a just and comprehensive peace in the Middle East.
2. A peace built on UNSC (United Nation Security Council) Resolutions 242 and 338 in all their aspects.
3. The consolidation of peace based on the foundations of freedom, equality, justice, the free exercise of religious faith and respect for human rights.¹⁴

As called for in the UNSC Resolutions, the treaty is based on the fundamental premise of *Land for Peace*. It guarantees the restoration of Jordanian sovereignty over all the Jordanian territories occupied by Israel as a result of the 1948 and 1967 wars. Moreover, it ensures that Jordan will receive its equitable share of water from the Yarmouk and Jordan rivers. The treaty also addresses the issue of security, with each side pledging to solve differences through peaceful means.

13. See text of The Peace Treaty between Jordan and Israel under Annex B.

True peace is not merely the absence of hostility. Rather, it requires bonds of cooperation to promote the acceptance and appreciation of coexistence. The articles and annexes of the treaty deal with the establishment of regular relations between the two states' political, economic, and cultural aspects. The treaty also outlines projects to develop the Jordan Valley and the Aqaba-Eilat region. It is imperative to confirm a basic fact included in this treaty, one that Jordan has sought and worked for throughout the negotiations. Namely, the continuous and constant efforts by Jordanian negotiating team to enhance the position of the Palestinian side in its negotiations with Israel.

The Gulf crisis created a very difficult situation for Jordan, and the return of Jordanian workers from Kuwait and other Gulf countries put increasing pressure on the domestic economy. But the beginning of the Middle East Peace Process in October 1991 brought about an improvement for the Jordanian economy¹⁵.

The peace dividend for Jordan is apparent above all in tourism: in 1995, tourists visiting Jordan topped one million for the first time. The value of Jordan's exports, including exports of cement to the West Bank, grew by 27% in 1995.

After Jordan's normalization of relations with Israel, embassies were opened in Israel and Jordan. The United States promised to cancel Jordan's official debts, and subsequently about \$700 million debt was erased in September 1995. With this, Jordan's debt service ratio declined from 18.5% in 1992 to 14.6% in 1995. The Jordanian Dinar has remained stable since 1993, at an exchange rate of approximately 0.69-0.7 JD to \$1US.

14. Ibid 13, Annex B, Preamble.

15. Annex C shows the Jordanian economic development since the beginning of the Middle East Peace Process in Madrid 1991.

Jordan and France are studying methods for converting Jordan's foreign debt into equity. It is likely that Jordanian debt will be traded in the London Club at 45% and in the Paris Club at 50% of nominal value. The present situation has positive aspects, but given the relatively shallow base of the Jordanian economy, a rapid worsening of the debt situation could occur if external variable changes, happen.

In October 1995, Israel and Jordan signed trade and agriculture agreements resulting in Israel lowering its tariffs by 20% to 50% on imports of Jordanian manufactured goods. Jordan reciprocated by adopting preferential measures affecting imports of manufactured goods from Israel. This effectively opened the Israeli market to Jordanian goods. The possibility of indirect Jordanian access to the West Bank Palestinian market, via Israel, is also open. It is likely that direct trade ties between Jordan and Palestine will enter a phase of growing complexity. Indeed, the form taken in the future by economic ties between Israel, Palestinians, and Jordan will be amongst the key economic factors sustaining the Peace Process.¹⁶

It should also be noted that while the UN economic sanctions against Iraq are still in place and being observed by Jordan. Trade ties with Iraq have always been extremely important to Jordan. In 1994, Jordan's total exports were \$1134.3 million, of which \$337 million worth was to Arab countries; Jordanian exports to Iraq alone were worth \$105 million. Accounted for one-third of total imports, making Iraq the top Arab importer of Jordanian goods. Conversely Jordan's total imports amounted to \$2.36 billion, \$523 million of which was from Arab countries. Oil imports from Iraq totaled \$291 million, which accounts for nearly half of Arab imports to Jordan. The lifting of economic sanctions against Iraq would certainly have a positive effect on Jordan's economy.

So, sustainable development requires the ability to continuously create new jobs and to affect a transfer of modern technology into Jordanian society. Jordanian economic developments focus on enhancing the economy's ability to attract and retain foreign investments. A concerted effort was initiated to create an environment to encourage foreign investment, which is more conducive to business. New tax and business laws were enacted. In addition, bureaucratic procedures were streamlined and an all-encompassing program was implemented to enhance the efficiency of public services.

Jordan's economy had been severely disrupted by the regional wars between the Arabs countries and Israel in 1948 and 1967. The economy was again affected by the Gulf War of 1990-91. This latest dislocation of patterns of trade, foreign aid, and labour migration had a negative impact on the economy. The Gulf crisis and the domestic difficulties that followed led to a reassessment of the country's economic strategy.

By signing the Peace Treaty with Israel, Jordan expected that the Israeli economy would be opened to Jordanian industrial and agricultural goods and services. The Israeli per capita income of \$17,000 has strong relative purchasing power when compared to Jordanian's average \$1,500. The size of the Israeli market, with a national income far larger than that of the economies of Jordan, Egypt, and Syria combined, presents a substantial potential enlargement of the market for Jordanian exports. This would offer tremendous new opportunities for enhancing Jordanian exports to Israel, particularly those of agricultural products produced at much lower costs than in Israel.

16. Amy Dockser Marcus, "Business Ties Exp and among Palestinians, Jordanians and Israelis," Wall Street Journal, May 1996

Trade with the West Bank and Gaza was also expected to increase dramatically. It was projected to be more varied and to include consumer products. Such opportunities would arise from the fact that both the Jordanian and the Palestinian economies are, to a large extent, similar in per-capita income and hence, in consumption patterns as well. In addition, exports of goods and services were projected to flourish as Jordanian contracting firms gained equal access to a booming construction market in the West Bank and Gaza.

Peace and free movement across borders created a tourism boom in the whole region including Jordan, which possesses geological, archeological, and recreational sights of sufficient enough interest to attract a wide range of tourists. Jordan was to benefit from increased Israeli and international tourists. In addition, Arab tourists visiting Israel and the Holy places in the West Bank and Gaza would generate more value added income to the country. As a result, not only would income increase, but also the balance of payments, as considerable amounts of foreign exchange will enter the country. The following statistics gives evidence of the tourism sector witnessed noticeable growth over the 1994-1998 period. The number of Israeli tourists averaged over 100,000 a year since 1997, while the number of European and North American tourists increased significantly. Income from tourism has increased by 50%, from 400 MJD in 1994 to 600 MJD in 1998.

A major reason for investing in Jordan was facilitated by the U.S. decision to accord duty-free entry of products produced in Qualified Industrial Zones (QIZ).¹⁷ Thus far, such a zone was set up in Al-Hassan Industrial Estate in Irbid. Joint ventures in this QIZ, which currently employ 2,500 Jordanians, are expanding quickly, and

17 Free Zones Cooperation, "Free Zones in Jordan 2000," provided by the Commercial Representative's Office, Embassy of the Hashemite Kingdom of Jordan, Washington, D.C.

total employment is expected to reach over 20,000 workers in two years. The demand for space by investors was more than what the Estate could offer. The success of this industrial park has encouraged both Jordan and Israel to request the approval of the US to grant the QIZ status to additional industrial parks. Four new properties are currently under consideration.

In recent years the United States has become a major financial benefactor to Jordan, by increasing the assistance program to Jordan from \$100 million to \$225 million annually. Jordan received a U.S aid package of \$375 million in 1999, (\$95 million was military assistance). It also received \$475 million in 2000. The 1999-2000 aid was part of the Wye River Agreement package; a special program negotiated by the U.S President Clinton after the 1998 interim deal between Israel and the Palestinians.¹⁸

On October 24, 2000, Jordan and the USA signed a Free Trade Agreement (FTA) making Jordan the fourth country in the world, after Canada, Mexico, and Israel, to benefit from this agreement. The United States considers that Jordan, as a leading Arab moderate country, is an anchor for stability across the region.¹⁹

Unfortunately, in 1998, four years after signing the Peace Treaty, Jordanian exports to Israel stood only at US \$34.5 million. This is a negligible amount when compared to the US \$90 billion Israeli economy. The total 1998 Jordanian exports of US \$23 million to the West Bank and Gaza Strip were no better. On the other hand, Israel exports between US \$2.5 and \$3 billion annually to the Palestinians. Exports to

18. Jordan Times, Home News Section, May26, 2000. URL <<http://www.accssme.com/jordantimes>,retrived > Feb 23,2001

19. Jordan Times, Economy section, Monday, 19 March 2001,“ Despite regional instability, Jordan was able to achieve a 3.9% growth, in real terms, of GDP during 2000, compared to 3.1 % growth in 1999,” Mohammad Abu Hammour, Finance Ministry secretary general said that the government was "satisfied with the 2000 growth rates specially that it is only 0.1 per cent lower than our estimates,”

both Israel and the Palestinian territories were expected to reach over \$400 million, but Israeli impediments and non-tariff barriers have caused this disparity. Many factors have contributed to this phenomenon including the stalemate in the Peace Process, protectionism under a security pretext, and the desire to maintain control of a captive Palestinian market. Jordan was supposedly destined to benefit greatly from enhanced trade with the West Bank and Gaza Strip, but the illusive comprehensive Peace Process expectations have failed to materialize. In addition, astounding economic scenarios that were promised for Jordan's free access to the Israeli market have so far not materialized.

The Jordanian-Israeli Peace Agreement marked its 6th anniversary on Oct 26th 2000. The majority of Jordanians, enticed by expectations of improved economic growth and higher welfare standards, endorsed the treaty and the detente that was rapidly evolving between Israel and Jordan. Western circles also gave Jordanians reason to believe that chronic economic difficulties would be resolved and depressed living standards would be reversed once peace with Israel was achieved. Foreign investments were described as the locomotive that would accelerate economic growth in Jordan. The anticipation was that foreign investments would be easily lured to Jordan as confidence in regional stability rose.

During the past few years, Jordanians have pursued a fragmented regional approach, where cooperation between two parties was perceived to be at the expense of a third²⁰. Political realities and the failure of the Peace Process to reach its logical conclusion have reinforced such perceptions. The result was that Jordan incurred the costs, but did not reap the benefits. A new, balanced economic regional vision should

20 The three parties are Jordan, Israel, and the Palestinians.

advocate normalization of economic relationships among all countries. This would promote economic cooperation by opening up the rest of the world to Middle East markets, especially Jordanian goods and services.

In an era of globalization, it would be difficult for some countries in the region to continue economic practices based on protectionism. The incompatibilities of economic systems have, to a large extent, prevented the pursuit of real economic cooperation. Import prohibitions, state trading, and dominance of the public sector in one country's economy will certainly hinder collective progress. Jordan has signed an association agreement with the EU; joined the Arab free trade area²¹, Jordanians are expediting implementation with individual Arab countries. Jordan has also been assigned to the WTO in January 2000. This added to the pre-mentioned free trade area agreement with the US.

It is in Jordan's interest, and in the interest of the international community, to see regional economies be potent and growing. The international community, particularly the US, can be instrumental in further advancing the regional economies. In addition to the political role that these countries are playing in promoting peace, harmony can also be advanced by taking economic measures such as creating free trade areas, revitalizing regional institutions, sponsoring regional projects, and providing direct support for regional economies in this era of transition.

In April 1999 the IMF (International Monetary Fund) package was approved that entitled Jordan to an extended fund facility worth \$174 million over three years. Its stated goals were annual GDP growth of 3-4%, stabilizing the inflation rate, and a

21. The Economist Intelligence Unit. Country Profile. Jordan, 1998. London: United Kingdom. The Economist Intelligence Unit, 1st Quarter, 1998. (The Arab league has pushed for a multilateral Arab free trade area – AFTA, 14 countries have acceded to the AFTA, which was established in 1997 and implemented in 1998. Duties are to be eliminated between AFTA members over 10 years, by 2007.

bolstering of foreign reserves. The agreement also included a \$45 million compensatory and contingency financing facility to offset the lower regional export numbers resulting from the 1998 oil price crash. The Paris Club of International Creditors rejected Jordan's request for a debt reduction in May 1999, agreeing instead to reschedule \$800 million of debt re-service payments to support the April IMF program. Following the Paris Club's decision, the Jordanian parliament agreed to increase the sales tax from 10% to 13% to offset a lack of funds.

Jordan's 1994 peace agreement with Israel, coupled with its continuing role as a mediator between the Palestinian Authority, Israel, and Syria, continue to be of great benefit to its international image.²² In September 1999, Germany agreed to a \$27 million debt conversion tied to programs involving poverty eradication, environment, and education. Jordan's position as regional mediator is expected to lead to relief agreements with other creditor countries. A preliminary agreement with the IMF in early 1999 will provide new loans over the next three years. Sluggish growth, along with debt, poverty, and unemployment, are fundamental ongoing economic problems for Jordan. In an attempt to spur growth, His Majesty King Abdullah II has undertaken limited economic reform, including partial privatization of some state-owned enterprises and Jordan's entry in January 2000 into the World Trade Organization (WTO).

The simultaneous implementations of these economic reforms in Jordan created a convergence of different interest groups. Each group may ideologically and

22 French President Jacques Chirac (at the Great 8 conference in June 1999), stated that "although its middle income status precludes Jordan from receiving a proposed major debt relief package, Jordan would still be given special consideration for "its significant role in the region and its courage in working on the Peace Process."

substantially oppose one of these reforms for their own reasons. The majority of Jordanians support the Peace Treaty with Israel, because it would return "our land and water" and promised prosperity and a better life through expanded trade opportunities. But, the benefits of peace were slow to materialize and some actually never did.

Israeli barriers to trade, triggered by security concerns or protectionist tendencies, have substantially impeded exports to Israel and to the Palestinian territories. The job creation and economic activity that were expected to accrue from such agreements have, therefore, not materialized, and no trickle-down effects have been felt. In addition, no major creditor, other than the U.S. actually forgave Jordan's debt, but countries such as Japan and Germany did provide assistance to Jordan.

People's expectations, particularly after the signing of the Peace Treaty with Israel, were indeed elevated by statements of strong support by world leaders. Those statements were understood as promising much more than has actually materialized. In that context, despite good macroeconomic performance, In the 1970s, unemployment was low 3.5%, but after the economic downturn of the 1980s, the rate reached 18.8% in 1990.²³ In recent years, a slight improvement has been visible, as unemployment sank from 18.8% in 1993 to 15.4% in 1994²⁴ Jordan has an official unemployment rate of 15 % in1998, although other sources put the actual figure close to 25-30% and also had 20% of the population lives below the poverty line.²⁵ Moreover, per capita consumption declined by more than ten percent over the past three years, and external debt still stands at around 100% of GDP. As part of the restructuring program, increases in the price of energy and water, in addition to an extremely unpopular increase in the price of bread, took place in 1996. In short, the

23 Jordanian Ministry of Labor, annual reports 1991.

24 Central Bank of Jordan, Annual Report, 1994.

tolerance level among Jordanians for poor economic conditions today is much lower than it was just after the Gulf War. An economic setback could spell disaster, not only for Jordan, but also for its model of peace and development.

Factors effecting unemployment include the pervasive economic stagnation, a growing population, a smaller number of workers who go abroad to find work, a growing number of returnees from the Gulf, and growing number of foreign workers. Disparities between educational levels and market demand, and insufficient placement information also contribute to this problem. The Gulf War had an especially strong impact, causing an estimated 350,000 workers to return to Jordan from where they had been working overseas. Because the economy was very weak at the time, Jordanian post-Gulf War unemployment rose above 25%.²⁶

From 1970 until the early 1980s Poverty was not a very serious problem, when the Jordanian economy was strong. However, in the mid-1980s, domestic and international economic stagnation commenced and as growing military expenses put pressure on the budget, labor became dependent on job creation by the public sector. In addition, the private sector stagnated, and money was invested inefficiently, causing the economy to worsen and poverty to become a conspicuous problem. Finally, a drop in the per capita GDP was caused by a population growth outpacing Jordan's production. The Gulf War's impact on the Jordanian economy, and the growing number of returnees, further aggravated the plight of the poor.

With Jordan, the peace climate alternates between cool and lukewarm. Six years after the signing of the Peace Treaty between the two countries, the situation has not changed significantly. On the formal official level, peace is a reality, with Jordan actively supporting and earnestly attempting to build its edifice. Yet on every issue,

25 Central Intelligence Agency, "Jordan" in the world factbook, 2000.URL: <<http://www.odci.gov>.retrieved>

the peace has not become a reality on the cultural level, nor has it reached the conscience of the people.²⁷

Prof. Kamel S. Abu Jaber said, “Incidentally, resistance to the Peace Process exists not only among fundamentalist Islamist forces, but also among nationalists, liberals and in the middle class intelligentsia. Thus far, these forces are skeptically watching the Peace Process proceed and waiting to see what the result may be. Two important developments helped bring about this attitude: the first was the collapse of the Soviet Union and the seeming triumph of the capitalist model of democratization and market economy; the second was the Iraqi occupation of Kuwait and its aftermath.”²⁸

Jordan's former Deputy Prime Minister and Minister of Planning, Rima Khalaf said, "... Now, five years after the Treaty was signed, things do not look as good as even what the modest scenario had portrayed ... where did our projections go wrong?"²⁹ To begin with, the anticipated peace dividend remains illusive and, in fact, the standard of living has dropped. Not only for Jordan, but also for all the regional economies, the impact of peace has not been positive while the anticipated regional projects failed to materialize. Ayman Majali said, “We injected our people with high expectations,” "Now our people are asking: ‘What's the point of peace?’”³⁰

26 UNICEF Situation Analysis, 1993.

27 Kirk Albrecht, “The Road Less Traveled,” The Middle East, March 1996,19.

28 Journal of International Affairs, march-may 2000, Volume V - Number 1, The Arab-Israeli Peace Process: A Critical Evaluation, Kamel S. Abu Jaber, Prof. Kamel S. Abu Jaber is President of the Jordan Institute of Diplomacy, Amman, Jordan.

29 Jordan's Deputy Prime Minister and Minister of Planning, Rima Khalaf, in a lecture, 30 September 1999, at the Washington Institute for Near East Policy.

30 Ayman Majali former deputy Prime Minister and former head of the royal court.

By signing the Peace Treaty in 1994, economists anticipated an unparalleled expansion in economic activity. It was expected to lead to a sizable increase in per capita income and a significant improvement in the standard of living of the average Jordanian. Jordanians hoped that Peace would promote social stability and thus, contribute to internal security. The translation of the peace dividend was an improved quality of life and a brighter future. As people make the transition from war to peace, they move progressively along a spectrum that takes them from belligerence to a peaceful coexistence. Attitudes change from skepticism and apathy, to peaceful coexistence and cautious cooperation. Eventually as trust develops, proactive cooperation will emerge. Yet this can't happen unless the Jordanian economic situation improves. A great access to Israeli markets will provide relief to Jordan's current economic woes.

Jordan has upheld their end of the agreement; Israel must make moves that improve the Jordanian economic situation. To Israel, peace means secure borders. To Jordan, peace means economic prosperity and an improved outlook from Jordanian people. Only an improved economic situation will improve bilateral relations and regional security. The Israel understands this basic Jordanian need; the sooner the region will become safer. This can be achieved by the opening Israeli markets, and by permitting Jordan great access to Palestinian markets located in the occupied territories to include Gaza strip and the West Bank.

CHAPTER THREE

THE MILITARY IMPLICATION OF THE PEACE TREATY

“Amman would not allow Israel or Iraq to use its airspace for any attacks against each other, We shall defend our airspace against any intrusion, east, west, or wherever it comes from,” Jordanian Minister, Munther Haddadin.³¹

Jordan enjoys peaceful and calm borders with both Saudi Arabia and Iraq. Relations between Jordan and Iraq had been good as were discussed previously. Jordan did not consider Saudi Arabia as a military rival, because to the traditional, mutually friendly political relations between the two countries. Moreover, the Saudi government was the primary financier for equipment acquisitions to the Jordanian forces.

Jordan, however, had to take into account Israeli and Syrian military power. The Syrian regime had frequently been at odds politically with Jordan, until an easing

31. He was Minister of Water and Irrigation, he declared that During his visit to Israel in February 18,1998. Jordan Times, Thursday, February 19, 1998,front page.

of bilateral relations began in late 1985. Syrian tank units had crossed into Jordan in 1970 to aid the Palestinian militia defying the Jordanian government. In 1980, The Syrians, massed three divisions and more than 800 tanks on the Jordanian border over a dispute of the presence of military training camps in Jordan for opponents of the Syrian regime. Syria had a quantitative advantage of up to four to one in military personnel, numbers of tanks and artillery pieces, and combat aircraft.

A corresponding disparity of scale existed between the Jordanian and Israeli armed forces. The normal personnel strength of the Israeli Forces was about 60% larger than that of Jordan's armed forces. Moreover, Israel could rapidly expand its personnel by mobilizing its well-trained reserve³².

Nevertheless, hostilities can still break out. The regional security system would handle the main issues of the strategic problem of Jordanian national security, which in the neighboring hostile environment included Israel and Syria. The regional security system would also contribute by developing a friendly environment. The transformation of a hostile environment into a peaceful and secure one is the real core of the problem. Acting alone, Jordan has limited military power and can deter potential aggressors only to a limited degree. Adherence to a regional security system enables Jordan to confront potential aggressors with the collective might of the system's members, this contributes to regional security.

There is a need for a balance between deterrence and reassurance. Reassurance is needed to strengthen peace, and deterrence is required to protect the peace from any external threats. In this sense, deterrence is based on a qualitative conventional capability for self-defense, which ensures self-reliance. In addition, the issue of weapons of mass destruction must be resolved. Arab states and Israel basically

32. Annex D, shows the military balance between Jordan and the neighboring countries

agreed that a zone free of weapons of mass destruction, including nuclear, chemical and biological weapons as well as their delivery systems should be established. A similar call was also made in the Euro-Mediterranean conference in Barcelona. Both sides also agreed that the zone should extend from Morocco to Iran and from Turkey to Yemen. It is, however, clear that the Israeli nuclear deterrence declaratory posture is a contradiction in terms:

1. Israel is the only country in the region with a nuclear strike capability; this in addition to biological and chemical capabilities.
2. Israel declares, "It won't be the first to use nuclear weapons."
3. Israel states that their nuclear capability is a "weapon of last resort."

One wonders then, that since no Arab country in the region possesses nuclear weapons, under what circumstances will Israel use its nuclear weapons.

The Jordan Armed Forces (JAF) therefore will continue to be an important collective part of any deterrence system formed for regional security, and will play regional roles in conflict resolution and peacekeeping. The JAF is expected to provide military experts to participate in developing security strategy for the regional system and the basic concepts of security such as strategic balance, military policies and doctrines. The Jordanian doctrine is defensive, not aggressive. The cooperation side of this doctrine can be developed in solving regional conflicts and promoting the regional role of the JAF. Active participation in a regional security system will foster a transition to a cooperative security strategic philosophy.

In the meantime, one of the main benefits Jordan has reaped from its Peace Treaty with Israel is the removal of a hostile military danger on its western border. Jordan has thus been able to end conscription, making a conversion to an all-volunteer

army. In 1997, around 85% of the total armed forces expenditure was used directly for salaries; the 15% remainder can hardly be adequate for training, maintenance, and other essential needs of the JAF. Jordan's army has suffered from a severe shortage of spare parts due to a cutoff of U.S. aid after the Gulf War. But after concluding the Peace Treaty with Israel, U.S. and other Western military aids were reinstated.

Although the army has converted from a conscript to a professional volunteer force since peace with Israel, it offers enough benefits and services to keep the combined manpower of Jordan's armed forces at about 135,000 soldiers, including reserves. In addition, Jordan has a small coast guard to patrol its coastline on the Gulf of Aqaba and the Dead Sea.

Jordanian military budget from (1990-2000)³³

Following Jordan's Peace Treaty with Israel, the US has been more sympathetic to Jordanian requests for modern military equipment, and has re-equipped the Jordanian armed forces with F-16 fighters, tanks and helicopters³⁴. After the signing of the Peace Treaty in 1994, military expenditures increased, because the Jordanian Army converted from a conscript to a professional force, and attempted to maintain better-equipped and modern armed forces from different countries. For example, the US –F16s, and the British *Challenger* tanks. While these acquisitions are impressive and aid in the defense of Jordan, they require a significant amount of money to both purchase and maintain.

The following illustrate recent equipment that benefit the defense of Jordan:³⁵

33. Annex E shows the Jordanian military budget from 1990 to 2001 United Kingdom.

34. The Economist Intelligence Unit. Country Profile. Jordan, 2001. London: United Kingdom. The Economist Intelligence Unit. Page 11

35. World Fact Book. Nation. Middle East. Jordan, military. URL:
<[http://www.periscope.ucq.com/nation/middle east/Jordan](http://www.periscope.ucq.com/nation/middle%20east/Jordan). >

1. The Delivery of 12 refurbished F-16A and 4 F-16Bs was completed in 1998 as part of a \$300 million military aid agreement with the United States. The five-year lease agreement includes spare parts, logistics support and training.
2. Eighteen surplus U.S. UH-1H Huey utility helicopters were delivered to the RJAF in October 1996 as a part of a larger arms package.
3. In March 1995, Jordan evaluated the Westinghouse/Pilatus Britten-Norman Defender 2000 Multi-Sensor Surveillance Aircraft (MSSA) as apart of its long-standing border surveillance requirement.
4. Jordan's Air Force leased two Airtech CN.235M tactical transport aircraft from Turkey in mid-1999 in a military cooperation agreement.
5. Jordan has requested up to 200 M1 Abrams MBTs, mobile Improved HAWK surface-to-air missile systems and radars from the United States.
6. In December 1996, 50 M60A3 MBTs discarded from surplus U.S. stocks were delivered to the Jordanian Army.
7. In March 1999, it was announced that Britain would start sending Challenger MBTs (main battle tanks). The deliveries are expected to continue through 2003.

This above list of equipment strengthens the Jordanian defense ability against any threat, this military equipments, when used defensively, improves the regional stability, and will definitely become a significant contribution to the Jordanian armament arsenal, which will enable Jordan to continue playing its strategic and vital role in preserving the regional peace and stability.

CHAPTER FOUR

POLITICAL IMPLICATION OF THE PEACE TREATY

*“My government will continue its efforts to advance the Peace Process towards achieving the required progress on all fronts. It will continue to support our Palestinian brethren and provide them with whatever assistance they need to regain their rights and build their independent state on their national soil, with Jerusalem as its capital. ”*³⁶ His Majesty King Abdullah II

Jordan shares its borders with Syria, Iraq, Saudi Arabia, the West Bank, and Israel. Jordan's national defense concerns center on the volatile Middle East political-military situation, and the protection of Jordan's borders. The Middle East Peace Process provided Jordan with fundamental principles for establishing a lasting peace in the region. The main unsolved issues are: Jerusalem, refugees, settlements, borders, and security. Successful resolution of these issues is crucial to successfully fulfilling

³⁶ His Majesty King Abdullah II, on speech at the 4th Session of the 13th Jordanian Parliament on Nov 25th, 2000. Jordan Times, the front page, Nov 26,2000.

the United Nation Security Council Resolutions (242 and 338)³⁷, and the principle of “Land for Peace”.

The signing of the Jordan-Israel Peace Treaty has considerably reduced the threat of war between the two countries. However, domestic unrest inspired and/or supported by militant Islamic elements and internal Palestinian feuding of groups opposed to negotiations with Israel, threaten to possibly destabilize Jordan. Hamas (Islamic Resistance Movement), in particular, continues to carry out a campaign of violence against Israel and those seen as its Palestinian collaborators. Hamas' armed wing, Izzad-Din al Qassam Brigades, has openly sought to derail implementation of the Israel-PLO accords signed in September 1993 through the use of violence. Hamas operates mainly in West Bank and Gaza Strip. In July 1994, Jordan's state security court tried 25 Muslim fundamentalists accused of carrying out several bombing attacks and plotting to assassinate prominent Jordanian officials. Many were veterans of the Afghan War reportedly with links to various pro-Iranian groups. In early 1994, Jordan ordered Iran to reduce the size of its "diplomatic" mission, claiming some of the staff was involved with anti-regime Muslim fundamentalists. His Majesty King Abdullah II said,” As for terrorism and extremism, these are negative phenomena that exist in all societies. They do not in any way represent Islam or relate to it. We have to stand up firmly against all unfair attempts to link Islam to these phenomena, under any pretext and in any way or form.”³⁸

Jordan has been actively involved in the Palestinian-Israeli conflict, participated in 1948 and 1967 Middle East Wars, and the Peace Process initiated in

37 See text of UNSC Resolutions 242 and 338 under Annex F.

38. His Majesty King Abdullah II, on speech at Ninth Islamic Summit Conference Doha, Qatar - November 13, 2000. Al-Rai, “Jordanian daily news paper” front page, November 14,2000.

1991 under joint U.S. and former Soviet sponsorship. In October 1994, Jordan signed a Peace Treaty with Israel; and has since played an active role in improving relations between Israel, Palestinians, and other countries in the Middle East. Specific issues between Jordan and Israel unresolved. Chief among these is Jordan's concern regarding the Palestinian right of self-determination and that the Palestinian economy and society do not remain captive to Israel. For Jordan, unlike any other country of the world, the Palestinian issue is not a foreign policy issue but a domestic one, since the Palestinians in Jordan are Jordanian citizens that have a share in its social, economic, and political life.(History, geography, and demography Jordan's involvement with the Palestine problem). Other states can wait and view the issue with dispassion, but this is not the case with Jordan. It is not only the emotional attachment of both the Jordanians and Palestinians to the symbolism of Palestine and Jerusalem, but also the vital interests that remain unresolved in spite of the signing of the Peace Treaty. The delineation of the borders of the emerging Palestinian state and the necessary security arrangements are of immediate concern to Jordan. Whatever the outcome of the Palestinian-Israeli negotiations, it is with every issue, on every level, that is of vital interest to Jordan. Thus far, the Jordanian attitude, even after the commencement of the Final Status negotiations on the Palestinian-Israeli track, is 'wait and watch' while insisting on safeguarding its own interests.

On the domestic political front, Jordan has actively promoted democratization. In 1989, Jordan held general elections and recovered its Parliament after a 22-year suspension. Jordan has long sheltered many Palestinian refugees within its borders; for this reason, a solution to the Palestinian problem and further progress in the Middle East Peace Process are vital for Jordan's domestic political and social stability. Should the Middle East Peace Process fail to bring a visible peace dividend, or the

interim self-government process suffer a major reversal, domestic critics and opponents of the Peace Process in Jordan would very likely step up their resistance. Hence, progress in the Middle East Peace Process is crucial to Jordan's stability.

For Jordan, however, the central features of the Peace Process are sovereignty, territorial integrity, and the security of the state. Jordan actively participated in the multilateral track of the Peace Process and also signed a number of bilateral agreements with Israel. These agreements covered almost every aspect of cooperation, from economic to social to cultural situations. Based on the principle of sovereignty and territorial integrity, delineation and demarcation of the international boundary between Jordan and Israel was concluded first. Then, bilateral security arrangements on and around the international boundary were agreed upon and implemented.

His Late Majesty King Hussein, in a speech before the United Nation on June 25, 1967,said:

“I will not speak to you only about peace, for the precondition of peace is justice. When we have achieved justice we will have achieved peace in the Middle East. There has been much talk in these chambers about peace. There has been little talk about justice... What Jordan and the Arabs want ...is Peace with Justice³⁹”.

The strategic choice of peace was adopted by Jordan to bring about an end to the conflict with Israel. It sought a warm peace with Israel, going beyond the mere signing of agreements between governments to normal interaction among peoples of neighboring countries.⁴⁰ The treaty developed a new external environment of cooperation and interdependence with Israel and all the parties in the region. This will ensure sustainable development. Jordan has not only been committed to the full

39. Vick and Lauer, page158.

40. Jordanian- Israeli Peace Treaty, Article 11 of the treaty obliges both countries Government to ban all propaganda official and private, against each other.

implementation of the Peace Treaty, but also to a proactive approach in seeking future areas of cooperation. The result is a Peace Treaty full of references of mutual cooperation, and a strong commitment to develop the Jordan Rift Valley.

The efforts by Jordan to promote domestic democracy will only be integrated if external stability is established with neighboring countries in the region. In other words, for Jordan to ensure its national stability, the decades-long Middle East conflict and the many problems that it engendered must be solved. With many Palestinians living within Jordan's borders, Jordan's political and social stability depends on a solution to the Palestine issue, or on the continuation, and successful outcome of the current Middle East Peace Process.

Although Jordan's Palestinian residents have been a past threat to its internal stability, today they are well assimilated into Jordanian society and coexist peacefully with other social groups. The peace remains fragile however, and continued peace with Jordan and the region will depend on the continued evolution of the Peace Process. Hence, Jordan must watch developments and engage in negotiations, always aware that the Palestinian issue is an important question affecting its national stability.

Thinking about Jordan's status and role in the current Middle East Peace Process must proceed on three levels. The first is Jordan's bilateral ties with Israel and those with the Palestinian interim self-government authority. The second is the trilateral relationship among Jordan, Israel, and Palestine. This trilateral relationship is historically very complex, and the future of Jordan depends on the outcome of talks regarding the subsequent stages of the process, interim self-government, and the permanent status of the Palestinian entity. The third level is multilateral relationships in the Middle East, including those with other Arab states.

After the Israeli-Jordanian Peace Treaty was signed, Israel and Jordan opened embassies, agreed on their common borders, and opened new border passage points. Additionally, agreements were made in many areas such as tourism, transportation, air service, environmental protection, and trade. The Peace Treaty abolished economic boycotts affecting the other party⁴¹. The sharing of water resources was initially a thorny issue between Israel and Jordan; however, they both agreed that Jordan's share the Jordan River waters would be 215 MCM per year⁴². Under this agreement, a pipeline was completed in June 1995 that brought water from Lake of Tiberias to Jordan. Thus, relations with Israel have been almost completely normalized at the bilateral government level.

In January 1995, Jordan and the Palestine interim self-government authority signed a general agreement for cooperation and coordination. This agreement and subsequent annexes promote a general cooperative relationship between the two parties in seven areas, including education, currency and banking, trade, communication, postal services, culture, and information. Specifically, it provided the following:

1. The Jordanian Dinar (JD) would continue for the time being to be regarded as legal tender on the West Bank and Gaza.
2. A list of mutually duty-free items would be drawn up and added to thereafter as a measure to stimulate free trade.
3. Palestinians who pass the General Secondary School Certificate Examination conducted by the Palestine Authority would continue to be admitted into Jordanian universities and other secondary institutions.

41. Jordan Israeli Peace Treaties, Annex B (Article 7).

42. Jordan Israeli Peace Treaty Annex II,

Yet the construction of Jordanian-Palestinian ties in this new framework did not go as far as those between Jordan and Israel. The Palestinians have been too busy negotiating with Israel and establishing and building up their new social and economic foundations.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

The Middle East has undergone dramatic changes since the Madrid Peace Process was successfully concluded in 1991. Despite many challenges facing Jordan, significant developments have been achieved including the Jordanian-Israeli Treaty of Peace. The break down of many psychological barriers that have prevented Jordanians and Israelis from living in peace is a direct result of the Peace Treaty.

Jordan needs peace. As a small country with limited resources, its social and economic well being, as well as its security, is intricately tied to its relations with Arab countries and Israel. Peace for Jordan should be translated into investments and trade, the twin engines of economic growth; this is key to increasing employment.

A major impetus for signing the Peace Treaty with Israel was Jordan's economic crisis, which was brought on by the Gulf War when relations with Arab

Gulf states soured and hundreds of thousands of Jordanians were forced to return home, increasing the rate of unemployment. Peace with Israel was supposed to usher in a new age of prosperity, with new markets opening up and international investments flooding in.

Yet, serious challenges remain ahead. The Palestinian-Israeli track is in serious crisis over the crucial stage of negotiations on the final status of the West Bank and the Gaza Strip. The Syrian, Lebanese-Israeli tracks are yet to witness any tangible progress. Full normalization of political and economic relationships between Israel and all other Arab countries depends on further progress in the Peace Process.

The European Community's generous pledges in 1993 came to an end with the 1998 budgetary allocations. In the face of this grave situation, the European Commission feels it is their responsibility to make proposals with a view to improve the situation. The point here is that the European Union should not evade its responsibilities to keep the Peace Process alive through its political and economic efforts. European aid is a key element to peace in the region.

Peace was supposed to invigorate the Jordanian economy through enhanced exports to Israel, heightened tourism, increased investment, reduced military spending, and technology transfer. Domestic reform, due to the removal of adversarial threats at the border, was to focus on creating a receptive environment for Jordan to become a successful regional and global partner. In the interim, various forms of support from the international community were expected to spur the engine of growth and help reduce the immediate cost of accommodating peace and reform.

Six years after the Peace Treaty was signed, things do not look as optimistic as what the Jordanians first hoped for. Since 1996, the standard of living in Jordan has progressively deteriorated, as real growth rates dropped from an average of 10%

during the period 1992-1994, to 5.6% in 1995, and then to a mere 1.5% during the period 1996-1998, a rate which is well below the natural population growth rate. In short, Jordanian population growth will outpace its ability to care for its people.

Jordan has arrived at a point in which there is a contradiction. The efforts of economic co-operation, aimed at building a Palestinian economy with bright prospects for the future based on close, peaceful co-operation with Israel, have not yet succeeded. However, this outcome has had a very important political result. It has allowed the Peace Process to survive under truly dramatic circumstances.

Outside influences, such as the ongoing international embargo on Iraq (formerly Jordan's largest trading partner), failure to secure an outside Palestinian market, and the severe regional 1999 drought, continue to have a damaging effect on Jordan's economic recovery. Moreover, the Gulf War and subsequent economic stress has caused the manufacturing sector, heavily dependent on the Iraqi market, to suffer heavy losses, in response, activity at Aqaba Port has been greatly curtailed. The loss of the Iraqi markets has also damaged the transportation and service sectors, as well as negatively impacting its regional tourism and agricultural market.

The Jordan-Israeli Peace Treaty's security arrangements did not affect Jordan's regional commitments because the security arrangements do not contradict Jordan's commitments toward its Arab neighbors. In fact, the Treaty clarifies, on paper, the policies, which have long characterized Jordan's security role in the region. It confirms each state's right to self-defense, while prohibiting either party from undertaking or instigating aggressive actions against the other. Moreover, the Treaty protects both Jordan and Israel from third-party attacks launched from their respective country, in addition to prohibiting interference in the internal affairs of the other. Jordan has always opposed terrorism; therefore, it advocates strengthened intra-

regional cooperation in the struggle against violence and extremism. The Treaty also calls for coordination in the regional fight against drugs.

The security arrangements concluded in this treaty enhance the security of the Arab world. They guarantee a secure future for Jordan, while helping to consolidate regional stability. This encourages joint economic projects, attracts foreign investment and allows funds to be redirected into more beneficial development projects that will eventually reduce unemployment and poverty.

The Peace Process is based on international precedents represented by the legal and political contexts of the United Nations Security Council Resolutions 242, 338, and 425. While the United States plays a leading role in sponsoring the Peace Process, the European countries and the U.N. practice marginal roles. To succeed at the regional level, the Peace Process will have to serve the national interests of all Middle East countries. The Peace Treaty sponsoring countries should make it possible for Jordanians to achieve tangible peace dividends by helping Jordan support its people. This would include key areas of social development, including basic human needs, thus promoting domestic political, social, and economic stability for all.

Since assuming power, His Majesty King Abdullah has continued his father's liberalization policies and reinforced Jordan's commitment to the guidance of international lenders, who have responded in kind by rescheduling debt payments and granting favorable aid terms. For Jordan, this process has built up Jordan's foreign exchange reserves, stabilized its currency, and led to a series of bilateral and multilateral trade agreements spurring a recovery characterized by consistent economic growth.

Jordan will continue to rely on foreign capital as she seeks to increase public and private savings and raise in-counting investment level. Clear preferences have been given for private sector activity export sectors of the economy. Light manufacturing, agricultural, and construction sectors have considerable potential in penetrating the world market as long as high quality standards are maintained. Should peace become a reality in the region, Jordan will undoubtedly be one of the major beneficiaries of the inflow of foreign capital and investment. This is because Jordan has come to the peace table first and will thus be in more a favorable position to the full advantage of the yet to arrive regional peace. The Peace Treaty strengthened the Jordanian national and pan-Arab position. The Jordan-Israel Peace Treaty has strengthened the Palestinian position reached in its Declaration of Principles agreement with Israel.

Success or failure in dealing individually and collectively with the odds that face the Peace Process will certainly shape not only the future of regional Arab countries, but also the Arab world's relations with the international community. There are many potential outcomes, but only one has the potential of enhancing the security and well-being of all parties concerned: A Middle East characterized by stability and peaceful coexistence strengthens the forces required, not only to sustain it, but also to develop it and enforce it over time. This outcome will preserve peace agreements among adversaries and also create a vested interest in building and sustaining peace.

In accordance with the Jordan-Israel Peace Treaty, Jordan has regained all of its occupied territory without any infringement or encroachment by Israel. This establishes a highly positive precedent for the Syrians, Lebanese, and Palestinians in their negotiations with Israel. The Jordanian Treaty can thus be emulated, and this

precedent can be relied upon for the possible restoration of Arab sovereignty over all territories occupied by Israel during the 1967 War.

The security arrangement would also address regional defense policies and doctrines. Offensive policies and doctrines such as preemptive strikes and aggressive actions must not be allowed. Conflict prevention should prevail over a conflict management philosophy by a regional cooperative security arrangement. Reaching a general agreement about this issue is a basic element of this regional Peace Process. In the past, conflict imposed a state of high military expenditure at the expense of development on all parties involved in the Arab-Israeli dispute.

The current issue now is the Palestinian Intifada, restarted on Sept. 28, 2000, has continued unabated for several months. There is no sign of it coming to an end anytime soon, even though the recent Israeli government has refused to negotiate with the Palestinian National Authority (PNA) before the Intifada is crushed or called off. If the Intifada continues, diplomatic relations between the Arabs and Israel will continue to be frozen, and no new economic avenues will be developed. Multilateral contacts are also suspended. Israel will lose most of the gains it achieved since the Peace Process was launched in October 1991. His Majesty King Abdullah II warned that “ if the cycle of violence moves to another level, you are going to get tremendous rumbling in the Arab streets for some sort of action... it could ignite the whole area.”⁴³

Jordan resolved to firmly uphold this peace agreement, as supported by an international consensus, and to further advance its spirit of cooperation. Any setbacks will not, and should not, deter both sides from moving forward. With the agreement to implement Wye River and the initiative of final status talks, there is new

impetus for peace and economic cooperation in the disparate region. The peace dividend has not been realized; this can be reversed if each country in the region and the international community work in harmony to yield synergistic benefits for all. These benefits must include Jordan. Jordan now realizes that the dividends of peace cannot be attained automatically. However, that shouldn't prevent all the regional powers from exerting the maximum efforts possible to go forward on peace as the only strategic and vital option for a prosperous and brighter future.

His Majesty King Abdullah II, said, "In the type of world that we live in, the path of peace is the harder battle, and this is the one that we have to take, it is the right path." Therefore, King Abdullah said, "Jordan will continue to exert every possible effort to bring about peace and prosperity to the region."⁴⁴

Annex A

The Jordanian export to Iraq

Year	1974	1979	1982	1989	1994
MJD	1.6	12	63	123	794
US\$M	2.28	17.14	89.99	175.71	1134.29

43 King Urges De-Escalation Of Violence ,Jordan Times (Amman) , Wednesday April 11, 2001,
URL:<www.access2arabia.com/jordatimes/index.html , in an interview with the Los Angeles Times on
April 10 , 2001,

44 Ibid 43, in interview with the PBS' top news programme on Monday 9 April 2001.

MJD = Jordanian Million Dinar

US\$M= United States Million Dollar

\$1 US =0.70 JD

Annex B

Treaty of Peace Between The Hashemite Kingdom of Jordan And The State of Israel, October 26, 1994⁴⁵

Preamble

The Government of the Hashemite Kingdom of Jordan and the Government of the State of Israel: Bearing in mind the Washington Declaration, signed by them on 25th July 1994, and which they are both committed to honor; Aiming at the achievement of a just, lasting and comprehensive peace in the Middle East based on

Security Council resolutions 242 and 338 in all their aspects; Bearing in mind the importance of maintaining and strengthening peace based on freedom, equality, justice and respect for fundamental human rights, thereby overcoming psychological barriers and promoting human dignity; Reaffirming their faith in the purposes and principles of the Charter of the United Nations and recognizing their right and obligation to live in peace with each other as well as with all states, within secure and recognized boundaries; Desiring to develop friendly relations and co-operation between them in accordance with the principles of international law governing international relations in time of peace; Desiring as well to ensure lasting security for both their States and in particular to avoid threats and the use of force between them; Bearing in mind that in their Washington Declaration of 25th July 1994, they declared the termination of the state of belligerency between them; Deciding to establish peace between them in accordance with this Treaty of Peace; Have agreed as follows:

Article 1 - Establishment of Peace

Peace is hereby established between the Hashemite Kingdom of Jordan and the State of Israel (the "Parties") effective from the exchange of the instruments of ratification of this Treaty.

Article 2 - General Principles

The Parties will apply between them the provisions of the Charter of the United Nations and the principles of international law governing relations among states in time of peace. In particular:

1. They recognize and will respect each other's sovereignty, territorial integrity and political independence.

45. The Jordan-Israeli Peace Treaty. URL: < www.kinghussein.gov.jo/documents.html >

2. They recognize and will respect each other's right to live in peace within secure and recognized boundaries.
3. They will develop good neighborly relations of co-operation between them to ensure lasting security, will refrain from the threat or use of force against each other and will settle all disputes between them by peaceful means.
4. They respect and recognize the sovereignty, territorial integrity and political independence of every state in the region.
5. They respect and recognize the pivotal role of human development and dignity in regional and bilateral relationships.
6. They further believe that within their control, involuntary movements of persons in such a way as to adversely prejudice the security of either Party should not be permitted.

Article 3-International Boundary

1. The international boundary between Jordan and Israel is delimited with reference to the boundary definition under the Mandate as is shown in Annex I (a), on the mapping materials attached thereto and coordinates specified therein.
2. The boundary, as set out in Annex I (a), is the permanent, secure and recognized international boundary between Jordan and Israel, without prejudice to the status of any territories that came under Israeli military government control in 1967.

3. The Parties recognize the international boundary, as well as each other's territory, territorial waters and airspace, as inviolable, and will respect and comply with them.
4. The demarcation of the boundary will take place as set forth in Annex (I) to Annex I and will be concluded not later than 9 months after the signing of the Treaty.
5. It is agreed that where the boundary follows a river, in the event of natural changes in the course of the flow of the river as described in Annex I (a), the boundary shall follow the new course of the flow. In the event of any other changes the boundary shall not be affected unless otherwise agreed.
6. Immediately upon the exchange of the instruments of ratification of this Treaty, each Party will deploy on its side of the international boundary as defined in Annex I (a).
7. The parties shall, upon the signature of the Treaty, enter into negotiations to conclude, within 9 months, an agreement on the delimitation of their maritime boundary in the Gulf of Aqaba.
8. Taking into account the special circumstances of the Baqura/Naharayim area, which is under Jordanian sovereignty, with Israeli private ownership rights, the Parties agree to apply the provisions set out in Annex I (b).
9. With respect to the Al-Ghamr/Zofar area, the provisions set out in Annex I (c) will apply.

Article 4

1. Security
 - a. Both Parties, acknowledging that mutual understanding and cooperation in security-related matters will form a significant part of their relations and will

further enhance the security of the region, take upon themselves to base their security relations on mutual trust, advancement of joint interests and co-operation, and to aim towards a regional framework of partnership in peace.

b. Towards that goal, the Parties recognize the achievements of the European Community and European Union in the development of the Conference on Security and Co-operation in Europe (CSCE) and commit themselves to the creation, in the Middle East, of a conference on Security and Co-operation in the Middle East (CSCME).

This commitment entails the adoption of regional models of security successfully implemented in the post World War area (along the lines of the Helsinki Process) culminating in a regional zone of security and stability.

2. The obligations referred to in this Article are without prejudice to the inherent right of self-defense in accordance with the United Nations Charter.

3. The Parties undertake, in accordance with the provisions of this Article, the following:

a. To refrain from the threat of use of force or weapons, conventional, non-conventional or of any other kind, against each other, or of other actions or activities that adversely affect the security of the other Party;

b. To refrain from organizing, instigating, inciting, assisting or participating in acts or threats of belligerency, hostility, subversion or violence against the other Party;

c. To take necessary and effective measures to ensure that acts or threats of belligerency, hostility, subversion or violence against the other Party do not

originate from, and are not committed within, through or over their territory (hereinafter the term "territory" includes the airspace and territorial waters).

4. Consistent with the area of peace and with the efforts to build regional security and to avoid and prevent aggression and violence, the Parties further agree to refrain from the following:

a. Joining or in any way assisting, promoting or co-operating with any coalition, organization or alliance with a military or security character with a third party, the objectives or activities of which include launching aggression or other acts of military hostility against the other Party, in contravention of the provisions of the present Treaty;

b. Allowing the entry, stationing and operating on their territory, or through it, of military forces, personnel or material of a third party, in circumstances, which may adversely prejudice the security of the other Party.

5. Both Parties will take necessary and effective measures, and will co-operate in combating terrorism of all kinds. The Parties undertake:

a. To take necessary and effective measures to prevent acts of terrorism, subversion or violence from being carried out from their territory or through it and to take necessary and effective measures to combat such activities and all their perpetrators;

b. Without prejudice to the basic rights of freedom of expression and association, to take necessary and effective measures to prevent the entry, presence and operation in their territory of any group or organization, and their infrastructure which threatens the security of the other Party by the use of, or incitement to the use of, violent means;

c. To co-operate in preventing and combating cross-boundary infiltrations.

6. Any question as to the implementation of this Article will be dealt with through a mechanism of consultations which will include a liaison system, verification, supervision, and where necessary, other mechanisms, and higher level consultations. The details of the mechanism of consultations will be contained in an agreement to be concluded by the Parties within 3 months of the exchange of the instruments of ratification of this Treaty.

7. The Parties undertake to work as a matter of priority, and as soon as possible, in the context of the Multilateral Working Group on Arms Control and Regional Security, and jointly, towards the following:

- a. The creation in the Middle East of a region free from hostile alliances and coalitions;
- b. The creation of a Middle East free from weapons of mass destruction, both conventional and non-conventional, in the context of a comprehensive, lasting and stable peace, characterized by the renunciation of the use of force, and by reconciliation and good will.

Article 5- Diplomatic and Other Bilateral Relations

- 1. The Parties agree to establish full diplomatic and consular relations and to exchange resident ambassadors within one month of the exchange of the instruments of ratification of this Treaty.
- 2. The Parties agree that the normal relationship between them will further include economic and cultural relations.

Article 6 – Water

With the view to achieving a comprehensive and lasting settlement of all the water problems between them:

1. The Parties agree mutually to recognize the rightful locations of both of them in Jordan River and Yarmouk River waters and Araba/Arava ground water in accordance with the agreed acceptable principles, quantities and quality as set out in Annex II, which shall be fully respected and complied with.
2. The parties, recognizing the necessity to find a practical, just and agreed solution to their water problems and with the view that the subject of water can form the basis for the advancement of co-operation between them, jointly undertake to ensure that ensure that the management and development of their water resources do not, in any way, harm the water resources of the other party.
3. The parties recognize that their water resources are not sufficient to meet their needs. More water should be supplied for their use through various methods, including projects of regional and international co-operation.
4. In light of paragraph 3 of this Article, with the understanding that co-operation in water-related subjects would be to the benefit of both Parties, and will help alleviate their water shortages, and that water issues along their entire boundary must to be dealt with in their totality, including the possibility of trans-boundary water transfers, the Parties agree to search for ways to alleviate water shortages and to co-operate in the following fields:
 - a. Development of existing and new water resources, increasing the water availability, including cooperation on a regional basis, as appropriate, and minimizing wastage of water resources through the chain of their uses;
 - b. Prevention of contamination of water resources;

- c. Mutual assistance in the alleviation of water shortages;
- d. Transfer of information and joint research and development in water- related subjects, and review of the potentials for enhancement of water resources development and use.

5.The implementation of both parties' undertakings under this article is detailed in Annex II.

Article 7 - Economic Relations

1. Viewing economic development and prosperity as pillars of peace, security and harmonious relations between states, peoples and individual human beings, the parties, taking note of understandings reached between them, affirm their mutual desire to promote economic co-operation between them, as well as within the framework of wider regional economic co-operation.

2. In order to accomplish this goal, the parties agree to the following:

a. To remove all discriminatory barriers to normal economic relations, to terminate economic boycotts directed at the other Party, and to co- operate in terminating boycotts against either Party by third parties;

b.Recognizing that the principle of free and unimpeded flow of goods and services should guide their relations, the parties will enter into negotiations with a view to concluding agreements on economic co-operation, including trade and the establishment of a free trade area or areas, investment, banking, industrial co-operation and labor, for the purpose of promoting beneficial economic relations, based on principles to be agreed upon, as well as on human development considerations on a regional basis. These negotiations will be

concluded no later than 6 months from the exchange of the instruments of ratification of this Treaty;

c.To co-operate bilaterally, as well as in multilateral forums, toward the promotion of their respective economies and of their neighborly economic relations with other regional parties.

Article 8 - Refugees and Displaced Persons

Recognizing the massive human problems caused to both Parties by the conflict in the Middle East, as well as the contribution made by them towards the alleviation of human suffering, the parties will seek to further alleviate those problems arising on a bilateral level.

1. Recognizing that the above human problems caused by the conflict in the Middle East cannot be fully resolved on the bilateral level, the Parties will seek to resolve them in appropriate forums, in accordance with international law, including the following:

a.In the case of displaced persons, in a quadripartite committee together with Egypt and the Palestinians;

b.In the case of refugees,

1) In the framework of the Multilateral Working Group on Refugees;

2) In negotiations, in a framework to be agreed, bilateral or otherwise, in conjunction with and at the same time as the permanent status negotiations pertaining to the Territories referred to in Article 3 of this Treaty;

Through the implementation of agreed United Nations programs and other agreed international economic programs concerning refugees and displaced persons, including assistance to their settlement.

Article 9

Places of Historical and Religious Significance and Interfaith Relations.

1. Each Party will provide freedom of access to places of religious and historical significance.
2. In this regard, in accordance with the Washington Declaration, Israel respects the present special role of the Hashemite Kingdom of Jordan in Muslim Holy shrines in Jerusalem. When negotiations on the permanent status will take place, Israel will give high priority to the Jordanian historic role in these shrines.
3. The Parties will act together to promote interfaith relations among the three monotheistic religions, with the aim of working towards religious understanding, moral commitment, freedom of religious worship, and tolerance and peace.

Article 10 - Cultural and Scientific Exchanges

The parties, wishing to remove biases developed through periods of conflict, recognize the desirability of cultural and scientific exchanges in all fields, and agree to establish normal cultural relations between them. Thus, they shall, as soon as possible and not later than 9 months from the exchange of the instruments of ratification of this Treaty, conclude the negotiations on cultural and scientific agreements.

Article 11 - Mutual Understanding and Good Neighborly Relations

1. The Parties will seek to foster mutual understanding and tolerance based on shared historic values, and accordingly undertake:

a. To abstain from hostile or discriminatory propaganda against each other, and to take all possible legal and administrative measures to prevent the dissemination of such propaganda by any organization or individual present in the territory of either Party;

b. As soon as possible, and not later than 3 months from the exchange of the instruments of ratification of this Treaty, to repeal all adverse or discriminatory references and expressions of hostility in their respective legislation;

c. To refrain in all government publications from any such references or expressions;

d. To ensure mutual enjoyment by each other's citizens of due process of law within their respective legal systems and before their courts.

2. Paragraph 1 (a) of this Article is without prejudice to the right to freedom of expression as contained in the International Covenant on Civil and Political Rights.

3. The joint committee shall be formed to examine incidents where one Party claims there has been a violation of these Articles.

Article 12 - Combating Crime and Drugs

The Parties will co-operate in combating crime, with an emphasis on smuggling, and will take all necessary measures to combat and prevent such activities as the production of, as well as the trafficking in illicit drugs, and will bring to trial

perpetrators of such acts. In this regard, they take note of the understandings reached between them in the above spheres, in accordance with Annex III, and undertake to conclude all relevant agreements not later than 9 months from the date of the exchange of the instruments of ratification of this Treaty.

Article 13 - Transportation and Roads

Taking note of the progress already made in the area of transportation, the Parties recognize the mutuality of interest in good neighborly relations in the area of transportation and agree to the following means to promote relations between them in this sphere:

1. Each party will permit the free movement of nationals and vehicles of the other into and within its territory according to the general rules applicable to nationals and vehicles of other states. Neither Party will impose discriminatory taxes or restrictions on the free movement of persons and vehicles from its territory to the territory of the other.
2. The Parties will open and maintain roads and border crossings between their countries and will consider further roads and rail links between them.
3. The Parties will continue their negotiations concerning mutual transportation agreements in the above and other areas, such as joint projects, traffic safety, transport standards and norms, licensing of vehicles, land passages, shipment of goods and cargo, and meteorology, to be concluded not later than 6 months from the exchange of the instruments of ratification of this Treaty.
4. The Parties agree to continue their negotiations for a highway to be constructed and maintained between Egypt, Jordan and Israel near Eilat.

Article 14 - Freedom of Navigation and Access to Ports

1. Without prejudice to the provisions of paragraph 3, each party recognizes the right of the vessels of the other Party to innocent passage through its territorial waters in accordance with the rules of international law.
2. Each party will grant normal access to its ports for vessels and cargoes of the other, as well as vessels and cargoes destined for or coming from the other party. Such access will be granted on the same conditions as generally applicable to vessels and cargoes of other nations.
3. International waterways will be open to all nations for unimpeded and non-suspendable freedom of navigation and over flight. The parties will respect each other's right to navigation and over flight for access to either Party through the Straits of Tiran and the Gulf of Aqaba.

Article 15 - Civil Aviation

1. The parties recognize as applicable to each other the rights, privileges and obligations provided for by the multilateral aviation agreements to which they are both party, particularly by the 1944 Convention on International Civil Aviation (the Chicago Convention) and the 1944 International Air Services Transit Agreement.
2. Any declaration of national emergency by a Party under Article 89 of the Chicago Convention will not be applied to the other Party on a discriminatory basis.
3. The parties take note of the negotiations on the international air corridor to be opened between them in accordance with the Washington Declaration. In addition, the Parties shall, upon the exchange of the instruments of ratification of this Treaty, enter into negotiations for the purpose of concluding a Civil Aviation

Agreement. All the above negotiations are to be concluded not later than 6 months from the exchange of the instruments of ratification of this Treaty.

Article 16 - Post and Telecommunications

The Parties take note of the opening between them, in accordance with the Washington Declaration, of direct telephone and facsimile lines. Postal links, the negotiations on which having been concluded, will be activated upon the signature of this Treaty. The Parties further agree that normal wireless and cable communications and television relay services by cable, radio and satellite, will be established between them, in accordance with all relevant international conventions and regulations. The negotiations on these subjects will be concluded not later than 9 months from the exchange of the instruments of ratification of this Treaty.

Article 17 – Tourism

The Parties affirm their mutual desire to promote co-operation between them in the field of tourism. In order to accomplish this goal, the Parties taking note of the understandings reached between them concerning tourism agree to negotiate, as soon as possible, and to conclude not later than 3 months from the exchange of the instruments of ratification of this Treaty, an agreement to facilitate and encourage mutual tourism and tourism from third countries.

Article 18 - Environment

The Parties will co-operate in matters relating to the environment, a sphere to which they attach great importance, including conservation of nature and prevention of pollution, as set forth in Annex IV. They will negotiate an agreement on the above, to be concluded not later than 6 months from the exchange of the instruments of ratification of this Treaty.

Article 19 – Energy

1. The Parties will co-operate in the development of energy resources, including the development of energy related projects such as the utilization of solar energy.
2. The Parties, having concluded their negotiations on the interconnecting of their electric grids in the Eilat-Aqaba area, will implement the interconnecting upon the signature of this Treaty. The Parties view this step as a part of a wider binational and regional concept. They agree to continue their negotiations as soon as possible to widen the scope of their interconnected grids.
3. The Parties will conclude the relevant agreements in the field of energy within 6 months from the date of exchange of the instruments of ratification of this Treaty.

Article 20 - Rift Valley Development

The Parties attach great importance to the integrated development of the Jordan Rift Valley area, including joint projects in the economic, environmental, energy-related and tourism fields. Taking note of the Terms of Reference developed in the framework of the Trilateral Jordan-Israel-US Economic Committee towards the Jordan Rift Valley Development Master Plan, they will vigorously continue their efforts towards the completion of planning and towards implementation.

Article 21 – Health

The Parties will co-operate in the area of health and shall negotiate with a view to the conclusion of an agreement within 9 months of the exchange of the instruments of ratification of this Treaty.

Article 22 - Agriculture

The Parties will co-operate in the areas of agriculture, including veterinary services, plant protection, biotechnology and marketing, and shall negotiate with a view to the conclusion of an agreement within 6 months from the date of the exchange of instruments of ratification of this Treaty.

Article 23 - Aqaba and Eilat

The Parties agree to enter into negotiations, as soon as possible, and not later than one month from the exchange of the instruments of ratification of this Treaty, on arrangements that would enable the joint development of the towns of Aqaba and Eilat with regard to such matters, inter alia, as joint tourism development, joint customs posts, free trade zone, co-operation in aviation, prevention of pollution, maritime matters, police, customs and health co-operation. The Parties will conclude all relevant agreements within 9 months from the exchange of instruments of ratification of the Treaty.

Article 24 - Claims

The parties agree to establish a claims commission for the mutual settlement of all financial claims.

Article 25 - Rights and Obligations

1. This Treaty does not affect and shall not be interpreted as affecting, in any way, the rights and obligations of the Parties under the Charter of the United Nations.
2. The Parties undertake to fulfill in good faith their obligations under this Treaty, without regard to action or inaction of any other party and independently

of any instrument inconsistent with this Treaty. For the purposes of this paragraph, each party represents to the other that in its opinion and interpretation there is no inconsistency between their existing treaty obligations and this Treaty.

3. They further undertake to take all the necessary measures for the application in their relations of the provisions of the multilateral conventions to which they are parties, including the submission of appropriate notification to the Secretary-General of the United Nations and other depositories of such conventions.

4. Both Parties will also take all the necessary steps to abolish all pejorative references to the other Party, in multilateral conventions to which they are parties, to the extent that such references exist.

5. The Parties undertake not to enter into any obligation in conflict with this Treaty.

6. Subject to Article 103 of the United Nations Charter, in the event of a conflict between the obligations of the Parties under the present Treaty and any of their other obligations, the obligations under this Treaty will be binding and implemented.

Article 26 - Legislation

Within 3 months of the exchange of the instruments of ratification of this Treaty, the Parties undertake to enact any legislation necessary in order to implement the Treaty, and to terminate any international commitments and to repeal any legislation that is inconsistent with the Treaty.

Article 27 - Ratification and Annexes

1. This Treaty shall be ratified by both Parties in conformity with their respective national procedures. It shall enter into force on the exchange of the instruments of ratification.
2. The Annexes, Appendices, and other attachments to this Treaty shall be considered integral parts thereof.

Article 28 - Interim Measures

The Parties will apply, in certain spheres to be agreed upon, interim measures pending the conclusion of the relevant agreements in accordance with this Treaty, as stipulated in Annex V.

Article 29 - Settlement of Disputes

Disputes arising out of the application or interpretation of this Treaty shall be resolved by negotiations. Any such disputes, which cannot be settled by negotiations, shall be resolved by conciliation or submitted to arbitration.

Article 30 – Registration

This Treaty shall be transmitted to the Secretary-General of the United Nations for registration in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at the Araba/Arava Crossing point this day Jumada Al-Ula 21st, 1415, Heshvan 21st, 5755, to which corresponds to 26th October 1994, in the Arabic, Hebrew and English languages, all texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

Abdul.Salam.Majali

PrimeMinister

The Hashemite Kingdom of Jordan

Yitzhak.Rabin

PrimeMinister

The State of Israel

Witnessed by:

William.J.Clinton

President of the United States of America

Annex C

The Jordanian economic development since the beginning of The Middle East Peace Process in Madrid 1991:⁴⁶

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000
GDP	4.8bn	5.6bn	6.1bn	6.6bn	7.0bn	7.1bn	8.45bn	7.5bn	8.3bn
Growth	11.2%	5.8%	5.7%	6.3%	5.0%	5.0%	2.2%	3.1% ⁴⁷	3.9% ⁴⁸
Inflation	4.0%	4.7%	3.6%	2.3%	6.5%	3.1%	4.5%	3.0%	3.2%
Debt	8.0bn	6.9bn	7.1bn	6.3bn	7.0bn	8.2bn	7.7bn	8.2bn	8.0bn
Def Exp	414mn	430mn	433mn	440mn	398mn	496mn	548mn	757.1	487.9

46. The International Institute For Strategic Studies, The Military Balance, London: Oxford University Press, 1992-2000.

The Economist Intelligence Unit's, country profile. Jordan, 2001,EIU, country profile London: United Kingdom.

47. Jordan Times, Economy section, Monday, 19 March 2001.

48. Ibid 45.

Annex D

The military balance between Jordan and the neighboring countries⁴⁹:

Country	Regular Troops	Reserve Troops	Tanks	Aircraft
Israel	175,000	430,000	4,300	780
Egypt	440,000	254,000	3,390	505
Jordan	133,650		1,051	101
Iraq	382,000	650,000	2,700	330
Syria	421,000	500,000	4,600	520
Saudi Arabia	105,000	57,000	1,055	322

49. International Institute for Strategic Studies International Institute for Strategic Studies. The Military Balance 1996/97. (London: Oxford University Press, 1997).

Annex E

Jordanian military budget from 1990 – 2000⁵⁰

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
M.JD	255	270	273	300	348	387	429	458	502	530	341.5
\$Mil	364.3	385.7	390	428.6	497.1	552.9	612.9	654.3	717.1	757.1	487.9

JD (Jordanian Dinar) \$1US =0.70 JD

Annex F

United Nation Security Council(UNSC) Resolution No. 242 1967⁵¹

Stating the principles of a just and lasting peace in the Middle East. The Security Council, Expressing its continuing concern with the grave situation in the Middle East, Emphasizing the inadmissibility of the acquisition of territory by war and the need to work for a just and lasting peace, in which every state in the area can live in security, Emphasizing further that all Member States in their acceptance of the Charter of the United Nations have undertaken a commitment to act in accordance with Article 2 of the Charter.

Affirms that the fulfillment of Charter principles requires the establishment of a just and lasting peace in the Middle East which should include the application of both the following principles:

- a. Withdrawal of Israel armed forces from territories occupied in the recent conflict (according to the French version, des territoires occupies)

50. Stockholm International Peace Research Institute Year Book 2000, Armaments, Disarmaments and International Security, Oxford University Press 2000.

51 United Nation Security Council(UNSC) Resolution. 242, 1967, URL:
<www.kinghussein.gov.jo/documents,html>

- b. Termination of all claims or states of belligerency and respect for and acknowledgment of the sovereignty, territorial integrity and political independence of every state in the area and their right to live in peace within secure and recognized boundaries free from threats of acts of force;
- 2. Affirms further the necessity
 - a. For guaranteeing freedom of navigation through international waterways in the area;
 - b. For achieving a just settlement of the refugee problem;
 - c. For guaranteeing the territorial inviolability and political independence of every State in the area, through measure including the establishment of demilitarized zones;
- 3. Requests the Secretary-General to designate a Special Representative to proceed to the Middle East to establish and maintain contacts with the States concerned in order to promote agreement and assist efforts to achieve a peaceful and accepted settlement in accordance with the provisions and principles in this resolution.
- 4. Requests the Secretary-General to report to the Security Council on the progress of the efforts of the Special Representative as soon as possible.

Adopted unanimously at the 1382nd meeting.

United Nation Security Council(UNSC) Resolution 338,1973⁵²

The Security Council,

1. Calls upon all parties to present fighting to cease all firing and terminate all military activity immediately, no later than 12 hours after the moment of the adoption of this decision, in the positions after the moment of the adoption of this decision, in the positions they now occupy.
2. Calls upon all parties concerned to start immediately after the cease-fire the implementation of Security Council Resolution 242 (1967) in all of its parts;
3. Decides that, immediately and concurrently with the cease-fire, negotiations start between the parties concerned under appropriate auspices aimed at establishing a just and durable peace in the Middle East.

52 United Nations Resolution NO 338,1973,URL: < www.ibiblio.org/sullivan/docs/UNRes338.html >

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